
FEDERAL HOUSING FINANCE AGENCY



NEWS RELEASE

For Immediate Release
May 6, 2013

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FHFA Limiting Fannie Mae and Freddie Mac Loan Purchases to “Qualified Mortgages”

Washington, DC – The Federal Housing Finance Agency (FHFA) announced today that it is directing Fannie Mae and Freddie Mac to limit their future mortgage acquisitions to loans that meet the requirements for a qualified mortgage, including those that meet the special or temporary qualified mortgage definition, and loans that are exempt from the “ability to repay” requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). In January, the Consumer Financial Protection Bureau (CFPB) issued a final rule implementing the “ability to repay” provisions of Dodd-Frank, including certain protections from liability for loans that meet the criteria of a qualified mortgage as outlined in the rule.

Beginning January 10, 2014, Fannie Mae and Freddie Mac will no longer purchase a loan that is subject to the “ability to repay” rule if the loan:

- is not fully amortizing,
- has a term of longer than 30 years, or
- includes points and fees in excess of three percent of the total loan amount, or such other limits for low balance loans as set forth in the rule.

Effectively, this means Fannie Mae and Freddie Mac will not purchase interest-only loans, loans with 40-year terms, or those with points and fees exceeding the thresholds established by the rule.

Fannie Mae and Freddie Mac will continue to purchase loans that meet the underwriting and delivery eligibility requirements stated in their respective selling guides. This includes loans that are processed through their automated underwriting systems and loans with a debt-to-income ratio of greater than 43 percent. Loans with a debt-to-income ratio of more than 43 percent are not eligible for protection as qualified mortgages under the CFPB’s final rule unless they are eligible for purchase by Fannie Mae and Freddie Mac under the special or temporary qualified mortgage definition.

Adoption of these new limitations by Fannie Mae and Freddie Mac is in keeping with FHFA’s goal of gradually contracting their market footprint and protecting borrowers and taxpayers.

[Link to Fannie Mae’s Lender Letter](#)
[Link to Freddie Mac’s Lender Letter](#)

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than \$5.7 trillion in funding for the U.S. mortgage markets and financial institutions.